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That's Where Our Money Goes

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That's Where Our Money Goes

by Marilyn Gunther

IT'S THAT TIME again – when many of our high school graduates get those diplomas and head into the job market.

Here in Iowa, in 1965, 28 percent of our young people took jobs right out of high school. The others, of course, headed for college or vocational or other specialized training.

It's an exciting time – that first job, that first paycheck, that first new residence of one's own. And it's a testing time in money management for most young people finally on their own.

Listen, for a moment, to the voice of experience from some young people – most of whom were ready to pass along some judgments in money management they had acquired through their own trials and errors.

There are no young men in this group. Perhaps, if asked, they would echo the opinions of our working daughters. But here's what young, single Iowa women at work as clerks in our stores, as secretaries and typists, as beauty operators, telephone operators, factory employees and similar jobs tell us:

"Most young people starting out on their own think they've got a lot of money when that first paycheck comes in. They spend it on whatever they like. In my instance, it was clothes. Now I've made myself a budget and I stick right to it. It's always good to have an emergency fund."

"Study up on money management. I always thought it would be a simple affair, but it has become quite complicated for me. Don't be afraid to ask for advice. A good source is your banker or a friend who is in a business dealing with money. Charge accounts were very deceiving for me. Forget about fashion and think of the future."

Advise Flexible Plans

Common sense? Yes! But these personal words reveal more than some painful misadventures in money handling. They show an increased sense of independence, security and growth in personal maturity – as a result of new understandings about money management. Here are more comments:

"That first month or two, I would play it by ear. See how much money food is going to cost for a month, same with rent, car money and other important articles. Then, if some is left over, plan how you would spend it. Then make a budget that gives you a little leeway, for you won't want to follow it if it is too stiff. Plan on a little entertainment or a new dress. This makes a budget fun to follow. It helps if all your roommates are keeping a record also. Plan at first, from the very first paycheck, to start saving even if it is only a little bit."

"First, spend your paycheck wisely; second don't expect miracles to happen. The first few years on your own are very important because you set up standards, and you will probably keep them in later years."

This is saying what the experts would say – make a plan – then work to make it work.

These young women have voiced two fundamentals in money management: (1) Learning to handle money is like learning anything else – it takes practice with flexible budgets (plans), keeping track with records, finding how to improve; and (2) now is when standards and habits are being set that count throughout life. And, for good measure, if mistakes in judgment occur now during early adult years, they are usually less painful and less costly to set right.

Typical Young Iowans

These comments, and others, come from 36 young women, average age 20 years old. They are the

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THE FIRST JOB often means many new kinds of responsibilities, including managing personal finances completely and independently. A group of young Iowa women report in this article some of the things they learned.

PARENTS can help educate youngsters in money management. One way is to involve young people in financial decisions of the family, so the young members know more than just managing "pin" money.

first of many young working people in Iowa being asked to reflect on their money management views and problems. They are on their first jobs. Their average monthly income is around $228.55.

Back home, 26 of them grew up on the farm and attended the nearby high school. Five of them grew up in small towns and five in towns of 5,000 and more population. Now 22 of them work and live in large-size communities; 13 in smaller towns. One lives on the farm and commutes.

Moving away from home to a job means managing one's own living expenses for the first time—a revealing experience on $228 plus a month.

Share Apartment Life

Twenty-four of the young women interviewed share apartment life with other young working women. They stretch living expenses this way. Five have their own apartments. The others live with relatives or families not related to them or have housing arrangements such as the Y.W.C.A.

Even apartment living, with its special appeals, prompts some problems and wise counsel from experience:

"Move in with friends who are making about the same amount of money you are. Otherwise you'll end up paying for their share too."

"Don't buy an expensive set of cookware or dishes, because friends aren't as careful with them as you are, and it is not worth getting a nice set until you are married."

"Monthly bills include food. You'll find you get hungry faster than your clothes wear out."

A comfortable, secure situation in housing is what most families desire for their working daughters—and this is the way most young working women are housed in our communities. But stretching the paycheck for housing and other living expenses takes a new kind of maturity. Often the lessons are hard. Often the young person is in serious financial difficulty before seeking financial guidance.

Save For Immediate Goals

Many of the girls are trying to save — at least a little. Fifteen make a regular habit of this; four save occasionally. Seven, however, have no savings plan. Of the young women who are trying to save, 22 are putting their money into the bank or a savings and loan association. Nine have savings bonds. The others have various savings methods.

Like most young people, they have found it easier to save because they know what they're saving for: weddings, vacations, school, special things such as contact lenses, a car, some furniture. Only nine were saving but had no definite goals in mind.

"Now that I have something to save my money for, it's much easier to save," counseled one.

Padding these goal-oriented savings, they have found, is a good way to be prepared for unforeseen situations. This means that, when the time comes to purchase the awaited treasure, there is a cushion of around $200 left over just in case. Young people never know when a new job will arise that will require moving money.

All Is Not Rosy

But, despite good intentions and efforts, knowing where they stand financially from month to month is still guesswork.

Budgets or plans, either written out or thought out, may be there, but many of the group didn't know how they were coming financially. The reasons? Thirteen of the girls admitted they kept no records of what they spent — just had a vague idea. Nine of them didn't take time to study their bank statements to

AUTOMOBILES—wonderful devices . . . almost essential in a mobile society—but young adults found a car could quickly account for 50 percent of their monthly budget!

see how they were faring. Four had no checking accounts by which to size things up but operated only from the cashed paycheck and ready cash viewpoint. Two of the group didn't bother to fill out check stubs to double-check their money out-go.

These lax habits don't spell doom; they do cause uncertainty—a sort of "running blind" operation. Perhaps more to the point is the fact that such vagueness leads one astray.

Impulse buying steps in as one of the group noted. "First of all, put all of your money in a checking account. Be realistic—your paycheck can only go so far, so avoid buying on impulse what you don't really need."

Overestimating income hurts. Said another, "Start a savings account rather than create many bills as I have done."

And still another, "Don't think too big, too fast. Listen to your elders. Buying too many large items as soon as you can get out on your own can be your ruination. Savings is the best possible plan."

Credit Bothers

Where the shoe pinches the tightest is in overuse of credit. Had the girls been warned about traditional credit snares? It seems they had not—or if they were warned, they didn't listen. One-third of the group had purchased items on credit from door-to-door salesmen; eight of them were currently buying cookware and/or china this way. Their suggestions to others reveal the seriousness of their quandry:

"I would advise them (new jobholders) to watch out for all the salesmen who come to the house, call and stand on the corner. They have a real good line and will do almost anything to make a sale. They are on the lookout for kids who are new in town."

"Be careful not to get hooked into something expensive that you will be paying off for a long time."

"Save as much money as you can. Be extra sure you can afford to purchase merchandise from door-to-door salesmen before you buy."

Sixteen of the young women had at least one charge account; some had more; some none. The average for sixteen of the girls was two charge accounts.

Even in having such accounts, they see the need for controlled buying.

"Try to save at least one-third and don't buy something on charge or credit. There'll be a next year or next time when you can buy it."

"If you buy on credit, do as little as possible—a good credit record helps in many cases."

"Don't buy a lot of things on charge or time, because you'll spend the rest of your life paying for them. Taking out insurance policies for your health, life and car is very important."

Car Costs Loom

Ten of the group were buying a car on credit—a high percentage in view of their monthly income. Car ownership means a chance to get back home frequently—but it also means a stiff crimp in finances. One of these young women found herself paying $94 per month to buy her car; $30 a month for upkeep. This tapped almost half her income.

Such an experience prompted this advice to others: "Try to put a special amount in some kind of savings each month. If it is at all possible, do not buy a car until you have enough to pay it off quickly. A car is a very expensive item and takes more than the average person realizes. Make a budget even if it is rough."

Borrowing Money

Twelve of the group had to borrow money—from the bank, their parents, a loan company, other ways.

Borrowing is done by most of us. What was evident from the responses of these young women is that they really did not know the true interest rate they were paying. They *thought* they knew.

Some had meaningful experiences: "Be careful about borrowing from a loan company. Use your head and try to think out your decisions. Set up a liberal budget."

Unfortunate as these experiences are for our young people, they bear out a vital point—shopping for money, like shopping for groceries and clothes, takes thought. It is a case of shopping for the best source of loans; not the most convenient.

Life Insurance

Twenty-six of the group have life insurance policies. Ten such policies had been purchased by parents; 10 by the girls themselves; 4 policies were group insurance policies from work; 2 policies had been jointly purchased by the girls and their parents.

What is more revealing is that eight of the young women said they didn't know the size of the policies. Possibly even more, who thought they really knew, were guessing.

Policies purchased by the parents ranged from $1,000 to $5,000. Policies the young women had purchased, however, ranged from $1,000 to $10,000. Of those with group insurance policies, only two young women knew the size of the policy.

But just having a life insurance policy does not imply their understanding of what life insurance protection means as changes come along—when they marry, the children come and then leave home. Life insurance occupies a large proportion of the family budget in most cases. The fact that most insurance is carried on the husband's life, rather than the wife's, often leaves the illusion that "I really don't need to know anything about insurance because my husband takes care of this and nothing will happen to him." How much insurance to buy, for what purposes, are just as vital to the young woman as the young man today.

Money Management Education

These young women have cited common problems of the new job-holder. They're trying to get along and get ahead on what they earn. Often, in the desire to reach certain goals, they make costly mistakes in buying and in use of credit. They want to stay in control of their finances but don't know how to keep track of their money closely enough.

Good money management means:

—They know themselves; their attitudes and goals.

—They know their income.

—They know the demands upon their income.

They are learning, yes, but could there be a better way than by trial and error?

A look back to home training in money management reveals that usually our young people use their money, however obtained, for discretionary purposes only – not true living expenses. They average around $9 to $10 a week for the "extras" they want. Yet, when they leave home and begin to make all their own financial decisions, they base their planning on the patterns they set up for discretionary use.

What it really costs to live . . . the true goals they seek . . . don't come clear until costly mistakes occur.

Schools are just beginning to put the pieces of wise money management together for young people—but it's still haphazard. Parents have assumed that young people learn about wise buying, use of credit, insurance, borrowing and keeping track of budgets by some process of osmosis. This is a void—and the lessons learned the wrong way are bitter.

Perhaps, in light of these apparent voids, parents need to involve their youngsters in some of the financial decisions that all families experience. For example, the purchase of a car is a major decision in most households. Deciding which car to buy, finding information about cars and comparing car costs can be a learning process for the whole family. Other involvements might be the gradual shift of responsibility from parent to teens in major clothing purchases, involvement in recreational activities, and choice of part-time jobs.

Statewide educational programs through Extension teaching, with the cooperation of businesses, banks and service organizations, can be another answer. It is one which parents, educators and young job-holders need to pursue if only to help young people know the satisfactions of controlling their financial resources now and in the lifetime ahead.

Someone has commented: "Our children know lots about the birds and bees today, but know nothing about banks." This could be said for other aspects of money handling.

All money lessons are not learned early. One of these young working people wisely points out a basic principle that money is only a means to worthwhile goals.

"Don't become a miser," she says. "Money isn't the only thing in the world. You can still have fun and handle money with a sense of responsibility."

And perhaps there is wisdom also in this sage advice from another: "I think I'd tell everyone starting out on their own to go out and blow their first couple of paychecks on anything they want. Then settle down. Good luck."

TABLE 1. Location of 1965 Iowa high school graduates.

In educational institutions	Percent	Percent
4-year college		
public	23	
private	10	
Junior college		
public	10	
private	2	
Business, trade or technical school		
public	7	
private	2	
Nurses training	2	
Sub-total		56
In job market		
Unskilled jobs	8	
Clerical jobs	7	
Semi-skilled or skilled jobs	4	
Farm work	4	
Sales work	2	
Service occupations	2	
Practical nursing	1	
Managerial positions	less than 1%*	
Apprenticeship	less than 1%*	
Economic Opportunity jobs	less than 1%*	
Sub-total		28
Miscellaneous		
Military service	5	
Homemaking	4	
Unemployed	2	
Unknown (location not known)	3	
Deceased	less than 1%*	
Sub-total		14
TOTAL		98%

*Not included in total or sub-totals.